

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL MEMORANDUM**

**HB 395 – SB 381**

April 4, 2017

**SUMMARY OF ORIGINAL BILL:** Requires school buses ordered or purchased on or after July 1, 2018, to be equipped with safety restraint systems approved by the National Transportation Safety Board (NTSB). Requires school buses owned, operated, or leased by a public or private elementary school or school system to be equipped with safety restraint systems approved by the NTSB no later than July 1, 2023.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures –

\$11,749,300/BEP/Each Year FY18-19 through FY22-23

Increase Local Revenue –

\$11,749,300/BEP Funding to Local Education Agencies/Each  
Year FY18-19 through FY22-23

Increase Local Expenditures –

\$70,566,400/Each Year FY17-18 through FY22-23\*

**SUMMARY OF AMENDMENT (006459):** Deletes all language after the enacting clause. Requires any bus ordered or purchased on or after July 1 2019, for transportation of school children, to have National Transportation Safety Board (NTSB) approved restraints. Requires the State Board of Education (SBE) in consultation with the Department of Safety to promulgate rules to effectuate the purposes of the legislation. Requires rules to be in accordance with the Uniform Administrative Procedures Act.

**HB 395 – SB 381 (CORRECTED)**

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

On April 1, 2017, a fiscal memorandum was issued for the bill as amended with the following estimated impact:

*Increase State Expenditures –  
\$2,150,400/BEP/FY19-20 and Subsequent Years*

*Increase Local Revenue –  
\$2,150,400/BEP Funding to Local Education Agencies/  
FY19-20 and Subsequent Years*

*Increase Local Expenditures –  
\$12,915,400/FY17-18 and Subsequent Years\**

Based on further analysis and review, the fiscal impact was determined to be in error. As a result, the fiscal impact for the bill as amended has been corrected as follows:

### **(CORRECTED)**

**Increase State Expenditures –  
\$2,150,400/BEP/FY19-20 and Subsequent Years**

**Increase Local Revenue –  
\$2,150,400/BEP Funding to Local Education Agencies/  
FY19-20 and Subsequent Years**

**Increase Local Expenditures – \$12,915,400/FY19-20 and Subsequent Years\***

Corrected assumptions for the bill as amended:

- Based on Federal Motor Vehicle Safety Standards (FMVSS) from the NTSB, buses that weigh below 10,000 pounds are required to have a restraint system. Buses that weigh above 10,000 pounds are not required to have a restraint system.
- Based on FMVSS, independent research, information from the Department of Safety (DOS) and the Comptroller, buses that were not originally designed to contain an occupant restraint system and are retro-fitted with such a system will not be re-certified as being safe according to the manufacturer original body build date safety specifications. Therefore, it is assumed that such buses will not be approved by NTSB, and will not be retro-fitted with seat belts.
- Local school systems will be required to purchase new buses with seat belts.

- According to the Department of Education's (DOE) FY15-16 Annual Statistical Report (ASR), there are a total of 9,112 buses in Tennessee, 6,362 of which are district-owned (approximately 70 percent).
- The FY15-16 ASR reports that 1,885 buses (approximately 21 percent) currently have a restraint system. This percentage is estimated to remain constant in future fiscal years under current law.
- Based on information from the Comptroller of the Treasury (COT), the average price of one bus without occupant restraint systems is \$100,000.
- Based on information received from the COT, and a national study done by the State of Alabama, the average increase in the price of a bus with seatbelt installation is approximately \$10,000.
- The average price of one bus with an occupant restraint system is estimated to be \$110,000 (\$100,000 + \$10,000).
- Buses that are purchased ahead of the FY19-20 for the 2019 fall semester will be purchased with seatbelts.
- Based on historical statistical data and information from the DOE, approximately 600 buses are retired each year. It is assumed that each retired bus will be replaced with a new one. Further it is estimated that the retirement rate will remain fairly constant in FY19-20 and in subsequent years.
- Based on the percentage of buses which currently have restraints (21 percent) and the percentage which do not have restraints (79 percent), it is assumed that 79 percent of buses purchased, or 474 (600 x 79.0%), which would have been purchased without restraints will be purchased with restraints as a result of this legislation.
- The recurring increase in local expenditures to add seatbelts to buses that would have been purchased in the absence of the legislation without seat belts is estimated to be \$4,313,400 [(474 x \$10,000 x 70.0% publicly-owned) + (474 x \$10,000 x 30.0% privately-owned x 70.0% passed on to LEAs)].
- According to independent research, information from the DOE, the Department of Safety (DOS), and national studies, buses with seat belts lose seating capacity due to a reduction in the number of riders per seat. The average capacity loss is estimated to be 15 percent per bus which is equivalent to approximately 12 seats.
- Additional buses will be purchased to make up for the seating capacity loss.
- Using data from the FY15-16 ASR, the number of additional buses that will need to be purchased to make up for capacity loss is estimated to be 86 buses annually.
- Sixty buses (or 70 percent) will be purchased by LEAs, and 26 buses (or 30 percent) will be purchased by private entities at a cost of \$110,000 each.
- It is assumed that private bus owners will only be able to pass on 70 percent of their costs to LEAs.
- The recurring increase in local expenditures for bus purchases related to capacity loss from LEAs purchasing new buses is estimated to be \$8,602,000 [(60 x \$110,000) + (26 x \$110,000 x 70.0% pass through)].
- The total mandatory recurring increase in local government expenditures is estimated to be \$12,915,400 (\$8,602,000 + \$4,313,400) in FY19-20 and subsequent years.

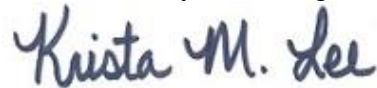
Assumptions relative to the increase in the Basic Education Program funding formula:

- The BEP transportation formula will recognize one-third of the total increase in local expenditures each year beginning in FY19-20. This component will be split 50/50 between state and local governments and is based on the average of expenditures from several categories for the last three fiscal years.
- The total mandatory increase in local expenditures is estimated to be \$12,915,400 (\$4,313,400 + \$8,602,000) in each FY19-20 and subsequent years.
- One-third of the total increase for BEP purposes is \$4,300,828 (\$12,915,400 x 33.3%).
- The increase in state expenditures for the BEP transportation component each year FY19-20 and subsequent years is estimated to be \$2,150,414 (\$4,300,828 x 50.0% split). As a result, LEAs will receive an additional \$2,150,414 in each FY19-20 and subsequent years.
- Based on information from the DOE, the increase in the BEP required match will not actually require LEAs to increase local expenditures since all LEAs are funding above and beyond their required local match for this component.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/maf